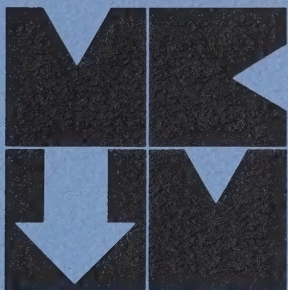


Manitou-Barvue Mines Limited



Annual Report 1977

Manitou-Barvue Mines Limited

Directors & Officers:	H.J. Mockler <i>President</i>	Toronto, Ontario
	R.A. White <i>Treasurer</i>	Toronto, Ontario
	W.B. Hansen <i>Vice-President</i>	New York, N.Y.
	H.L. Coulson <i>Director</i>	Toronto, Ontario
Auditors:	Thorne Riddell & Co.	Toronto, Ontario
Bankers:	Bank of Nova Scotia	Toronto, Ontario
Stock Exchange Listing:	Toronto Stock Exchange	Toronto, Ontario
Registrar & Transfer Agent:	Guaranty Trust	Toronto, Ontario



Digitized by the Internet Archive
in 2023 with funding from
University of Alberta Library

https://archive.org/details/Mani0336_1977

Manitou-Barvue Mines Limited

Report of the Directors

To the Shareholders:

The Directors herewith present the annual report of the company for the year ended December 31, 1977. Contained in the report is the Consolidated Balance Sheet, Statement of Income, Statement of Retained Earnings (Deficit), Statement of Source and Application of Funds. These statements consolidate, for the first time, the accounts of our wholly owned subsidiary, Cambro Petroleum & Minerals Limited and our 69% interest in Quebec Manitou Mines Limited.

As shareholders are aware the presentation of this report has been delayed well beyond the statutory requirements of six months with the result that the Ontario Securities Commission imposed a cease and desist order on the trading in the Company's securities. This was followed by the Toronto Stock Exchange suspending the shares from trading on the basis that the company had not complied with continued listing requirements.

The activities which created the problems that caused these regulatory bodies to take the above actions centred around Manitou Barvue's acquisition of certain oil and gas concessions in the Republic of the Cameroon, West Africa in late 1977. The first of these was a 0.495% overriding royalty interest on some 1,700,000 acres of offshore-onshore concessions. These were purchased for \$500,000 U.S. and although some of the acreage has been evaluated and relinquished the balance remains in good standing with an extensive exploration program being planned by the permit holders.

The second acquisition was the purchase of the right to an undivided 8.0% working interest in two blocks totaling 649,000 acres for \$1,150,000 U.S. These concessions, upon which two successful oil wells had been drilled about twenty years ago, were considered highly prospective for major accumulations of hydrocarbons. The terms of this concession required that the operator, Anadarko Cameroon Inc., a U.S. corporation, commence the drilling of a confirmatory well on or before April 23, 1978. Failure to spud the well would mean loss of the permits. Manitou-Barvue was fully aware of the drilling requirements contained in the concession agreement at the time the interest was purchased and after a careful review of all of the facts of the situation, management elected to proceed with the acquisition even though there was a risk that the confirmatory well might not be spudded. It should be noted that management's review was supplemented by an assessment of the potential by a qualified independent consulting firm of petroleum engineers. The conclusion reached was that the potential of the acreage was such that the risk was minimal that the earning well wouldn't be spudded on time. However, despite substantial pre-drilling expenditures absorbed by Anadarko and its partners a decision was made not to proceed with the well with the result that the concession was withdrawn and Manitou-Barvue lost its investment. Because of the large sum involved this created some auditing problems which have taken several months to resolve. This was further compounded by the company's reluctance to absorb this loss and its serious attempts to organize a new group to assume Anadarko's drilling commitment so that its 8.0% interest could be protected. At the time of this writing the company has not been successful in its endeavours to re-instate the concession but recent conversations lead management to be optimistic that a group will be organized early in the new year and the company's actions will be vindicated.

During the year Manitou-Barvue participated in the drilling of two wells in western Canada. The first of these, located in Carstairs Alberta, was completed to projected depth and abandoned as a dry hole. However, the drilling of the well enabled the company to earn into a total acreage position of 1,280 acres upon which a previously drilled well encountered several feet of pay that flowed 1.3 mmcf. of gas a day. This acreage will be subject to further evaluation in the coming months. The second well was drilled in the Medicine River area and found 35 feet of the ostracod formation which flowed commercial quantities of oil. Further drilling on this prospect is planned in the new year.

In addition to our direct participation in the oil and gas industry, the company also has a substantial investment in the Sabre Resources Drilling Fund which we understand has encountered considerable success over the past few months and we look forward to earning an adequate rate of return on our capital.

Manitou-Barvue Mines Limited

Report of the Directors (continued)

The company's activities in the mineral sector was confined to the examination of a few mineral prospects and the receipt of royalty income from former mine in Quebec which is being operated by Louvem Mining Company. Subsequent to the year end Louvem informed Manitou-Barvue that it intends to cease mining on the company's property and allow the facilities to flood. Consequently upon receipt of final royalty and rental payments the company will cease to have any further mining income from this source.

It should be noted, however, that if metal prices improved sufficiently that would warrant re-opening the mine, Manitou Barvue continues to be entitled to receive a royalty of \$0.75 a ton on all tonnage mined and milled in excess of 300,000 tons. At the same time the company retains interests in several other mineral prospects which will be examined in the coming year. In addition to the above mining interests the company has a substantial tax loss carryforward which could be applied against any income. In years to come this could prove to be a valuable asset.

During the year Messrs. Irwin Singer and Joseph Shaughnessy resigned as Directors and Mr. Hugh Coulson resigned as President but remained a Director. Mr. H.J. Mockler was nominated as a Director to replace Mr. Singer and also assumed the Presidency. At present there is a vacancy on the Board of Directors which will be filled at the forthcoming annual meeting.

As part of this material, the unaudited consolidated statements of income or loss for the six month period ending June 30, 1978 and nine months ending September 30, 1978 are included.

Submitted on behalf of the Board

H. J. Mockler

Toronto, Dec. 1, 1978

H.J. Mockler
President

Manitou-Barvue Mines Limited

Auditors' Report

To the Shareholders of Manitou-Barvue Mines Limited

We have examined the consolidated balance sheet of Manitou-Barvue Mines Limited as at December 31, 1977 and the consolidated statements of income, retained earnings (deficit) and changes in financial position for the year then ended. Our examination of the financial statements of Manitou-Barvue Mines Limited was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied upon the reports of Ernst & Ernst, the auditors who examined the financial statements of the subsidiaries Cambro Petroleum & Minerals Limited and Quebec Manitou Mines Limited.

With respect to Cambro Petroleum & Minerals Limited the auditors reported in part as follows:

The value of the royalty rights recorded on the balance sheet at a cost of \$548,000 is subject to the continued active participation by the parties to the original exploration agreements in the development of the area described in note 3(b)(ii), to the successful commercial discovery of hydrocarbons in and the exploitation of that area and to the assignment of satisfactory title.

In our opinion, subject to the effects, if any, on the financial statements of the ultimate resolution of the matters referred to in the preceding paragraph, these consolidated financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Toronto, Canada
November 20, 1978

Chartered Accountants

Manitou-Barvue Mines Limited

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

As At December 31, 1977

Assets	December 31	
	1977	1976
Current Assets		
Cash and short-term deposits	\$1,650,884	\$1,738,217
Short-term deposits set aside for payment of interest in petroleum and natural gas properties (note 3)	350,000	
Marketable securities, at cost (quoted market value \$111,160)	123,390	
Accounts receivable	21,664	22,802
Receivable on sale of mining operation (note 2)	194,642	204,000
Notes receivable (note 2)	650,000	900,000
Accrued interest receivable	25,627	65,778
	<u>3,016,207</u>	<u>2,930,797</u>
Other Assets		
Receivable on sale of mining operation (note 2)	233,400	1,095,700
Investment in inactive subsidiary companies	1	1
Investment in associated company		116,998
Option on mining claims in associated company		65,000
Property held for resale, at cost	105,107	101,980
Furniture and equipment, at cost less accumulated depreciation of \$182,140 (\$139,719 in 1976)	68,067	109,147
Mining properties and rights (notes 4 and 5)	245,644	1
Deferred exploration and development expenditures (notes 4 and 5)	583,765	
Interests in petroleum and natural gas properties and rights (notes 3 and 5)		
Canada	500,000	
United Republic of Cameroon	548,001	
	<u>2,283,985</u>	<u>1,488,827</u>
	<u>\$5,300,192</u>	<u>\$4,419,624</u>

Approved by the Board

Director H. J. Mockler

Director R. A. White

Manitou-Barvue Mines Limited

Liabilities

	December 31	
	1977	1976
Current Liabilities		
Accounts payable and accrued liabilities	\$ 248,263	\$ 335,310
Payable on purchase of interests in petroleum and natural gas properties and rights (note 3)		
Canada	350,000	
United Republic of Cameroon	1,422,884	
	<u>2,021,147</u>	<u>335,310</u>
Deferred Income Taxes	<u>26,300</u>	
Interest of Minority Shareholders in Subsidiary Company	<u>425,773</u>	
Shareholders' Equity		
Capital Stock (note 6)		
Authorized - 8,500,000 shares without par value		
Issued - 3,836,179 shares (3,821,179 shares in 1976)	3,369,940	3,354,940
Retained Earnings (Deficit)	<u>(224,823)</u>	<u>1,053,768</u>
	3,145,117	4,408,708
Deduct subsidiary company's holding of 554,427 shares of the company at value assigned thereto (954,427 shares in 1976, at cost to associated company) (note 7)	<u>318,145</u>	<u>324,394</u>
	<u>2,826,972</u>	<u>4,084,314</u>
	<u>\$5,300,192</u>	<u>\$4,419,624</u>

Manitou-Barvue Mines Limited

Consolidated Statement of Income

	Year Ended December 31	
	1977	1976
Revenue		
Investment	\$ 402,729	\$ 161,491
Rental and miscellaneous	40,000	20,503
	<u>442,729</u>	<u>181,994</u>
Expenses		
Administrative and general	234,347	188,106
Depreciation	42,421	68,204
Exploration expenditures written off	10,996	10,888
Interest		11,334
Professional and consulting fees	170,484	43,533
Retiring allowance to former officer	125,000	
	<u>583,248</u>	<u>322,065</u>
	(140,519)	(140,071)
Share in income (loss) of associated company	(18,335)	2,509
Interest of minority shareholders in subsidiary company's loss	7,378	
Loss before undernoted items	(151,476)	(137,562)
Income from discontinued mining operation (note 2)	111,792	380,788
Provision for loss on investment in exploration rights (note 3)	(1,260,399)	
Income (loss) before extraordinary item	(1,300,083)	243,226
Gain on sale of mining assets (note 2)	21,492	2,147,733
Net Income (loss)	<u><u>\$ (1,278,591)</u></u>	<u><u>\$2,390,959</u></u>
Earnings (loss) per share		
Income (loss) before extraordinary item	(40c)	9c
Net income (loss)	(39c)	83c

Consolidated Statement of Retained Earnings (Deficit)

	Year Ended December 31	
	1977	1976
Retained Earnings (deficit) at beginning of year	\$1,053,768	\$(1,337,191)
Net income (loss)	<u>(1,278,591)</u>	<u>2,390,959</u>
Retained Earnings (deficit) at end of year	<u><u>\$ (224,823)</u></u>	<u><u>\$1,053,768</u></u>

Manitou-Barvue Mines Limited

Consolidated Statement of Changes in Financial Position

	Year Ended December 31	
	1977	1976
Working Capital Derived from		
Operations	\$ 13,694	\$ 333,792
Reduction in non-current receivable on sale of mining assets	862,300	
Issue of capital stock for cash	15,000	
Sale of mining assets	21,492	2,732,060
Reclassification of note receivable as current asset		200,000
	<u>912,486</u>	<u>3,265,852</u>
 Working Capital Applied to		
Acquisition of interests in petroleum and natural gas properties and rights	2,308,400	
Cost of shares of subsidiary company acquired, less its working capital	190,202	
Additions to fixed assets	1,241	6,450
Expenditures on property held for resale	3,126	2,276
Acquisition of mining properties	8,020	
Deferred exploration and development expenditures	1,924	
Non-current receivable being partial consideration on sale of mining assets		1,095,700
Acquisition of operating supplies		29,413
Payment on option on mining claims		25,000
	<u>2,512,913</u>	<u>1,158,839</u>
 Increase (decrease) in Working Capital	(1,600,427)	2,107,013
 Working Capital at Beginning of Year	<u>2,595,487</u>	<u>488,474</u>
 Working Capital at End of Year	<u>\$ 995,060</u>	<u>\$2,595,487</u>

Manitou-Barvue Mines Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 1977

1. Accounting Policies

(a) Basis of presentation

- (i) In October, 1977 the company acquired an additional 1,572,000 shares of Quebec Manitou Mines Limited for \$645,759 cash. As a result of this transaction the company increased its interest in Quebec Manitou from 33% to 69% and accordingly the accounts of Quebec Manitou have been consolidated from that date (previously accounted for as investment in associated company on the equity basis). The transaction has been accounted for by the purchase method.

Net assets acquired, at book values:

Total assets		
Current	\$	465,557
Other		943,005
Excess of the cost of the shares of the subsidiary over their book value (note 7)		242,286
		<u>1,650,848</u>

Total liabilities	\$	36,300
Minority interest	433,151	<u>469,451</u>

\$1,181,397

Represented by

Cash consideration	\$	645,759
Net book value of shares of subsidiary, previously accounted for on the equity basis		<u>535,638</u>

\$1,181,397

The holding of Quebec Manitou Mines Limited of shares of the company has been deducted from shareholders' equity (note 7), and earnings per share are based on the shares outstanding other than those held by Quebec Manitou Mines Limited.

- (ii) In December, 1977 the company acquired, for nominal consideration, all of the outstanding shares of Cambro Petroleum & Minerals Limited, an inactive company incorporated under the laws of the Cayman Islands, for the purpose of participating in

oil and natural gas exploration, initially in the offshore Cameroon area. The accounts of this subsidiary are also consolidated herein.

(b) Foreign exchange

The accounts of Cambro which are maintained in U.S. currency are translated as follows:

- (i) Current assets and liabilities at the exchange rate prevailing at the year end.
- (ii) All other assets at the date the assets were acquired.
- (iii) Income and expenses at the average rate for the period from acquisition to the year end.

(c) Mining properties and rights, interest in petroleum and natural gas properties and rights, and related expenditures.

Expenditures on resource exploration programmes are deferred on a specific project basis until the viability of the project is determined. If a project is discontinued, the accumulated project costs are charged to income. If a project is developed, the related accumulated costs are amortized against future income from that project.

(d) Deferred income taxes

Deferred income taxes arise in a subsidiary company from claiming exploration and development expenditures for tax purposes before amortization in the accounts.

(e) Comparative figures

The 1976 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1977.

2. Sale of Mining Assets

As a result of the sale in August, 1976 of substantially all of its mining operations in Bourlamaque Township, Quebec, the accounts of the company reflect:

- (a) a note receivable from the purchaser in the principal amount of \$650,000, bearing interest at prime bank rates effective from time to time and maturing on February 10, 1978 (subsequently received).
- (b) a guaranteed royalty and imputed interest receivable as to \$194,642 on or before December 30, 1978 and as to \$233,400 on or before August 10, 1979. Imputed interest at 10% is being taken into income as the royalty is received.
- (c) a 50% interest retained in certain mining claims

Manitou-Barvue Mines Limited

contiguous to the mining property, carried at nominal value (note 4).

- (d) rental income arising from the leasing of certain mining equipment to the purchaser for a term of three years, at a rental of \$40,000 per annum. The net book value of the equipment, as at the date of commencement of the lease, is being depreciated over its term.

The 1977 income from discontinued mining operation and gain on sale of mining assets are adjustments of the previous year arising from the final determination of accruals.

Additionally, the company is entitled to a royalty of 75 cents per ton on any tonnage mined by the purchaser in excess of 300,000 tons, such royalty to be indexed to the Consumer Price Index commencing 12 months after the 300,000th ton is mined. During 1978 the purchaser discontinued these mining operations.

3. Interests in Petroleum and Natural Gas Properties and Rights, and Related Amounts Payable

Details of these interests are as follows:

	Cost or written down value	Related amount payable
(a) Canada		
Participation in a limited partnership formed to carry out petroleum and natural gas exploration in Alberta and British Columbia	\$500,000	\$ 350,000
(b) United Republic of Cameroon		
(i) Exploration rights, less amount written off	\$ 1	\$1,132,290
(ii) Royalty rights (U.S. \$500,000)	548,000	290,594
	<u>\$548,001</u>	<u>\$1,422,884</u>

(a) Canada

By agreement dated August 25, 1977 the company entered into a limited partnership known as the Sabre Resource Program for the purposes as set out above. The contributions of \$350,000 payable at December 31, 1977 are to be paid under an irrevocable letter of credit secured against bank deposit receipts.

(b) United Republic of Cameroon

(i) Exploration rights

- (1) By Convention dated January 12, 1976 made between Normafrique, a Cameroonian limited liability company and the Government of the United Republic of Cameroon, Normafrique acquired the exclusive rights to explore for hydrocarbons covered in an area designated as permit H of the United Republic of Cameroon. Pursuant to an agreement and an assignment dated December 14, 1977 made between the company's subsidiary, Cambro, and Seagull International Exploration, Inc., a Delaware corporation, Seagull International agreed to assign to Cambro, for an amount of U.S. \$1,150,000 all of its interest, being the right to an undivided 8% interest under and pursuant to a joint venture agreement dated July 23, 1976 entered into by Anadarko Cameroon, Inc., a Delaware corporation, Normafrique, Seagull International and Norminol A/S, a Norwegian corporation. Seagull International acknowledged that it was also acting for Isca Limited, a company incorporated in the Cayman Islands. The right to the 8% interest was owned 60% by Seagull International and 40% by Isca. The joint venture was formed for the purpose of exploring for hydrocarbons in the said area designated as permit H. Pursuant to the provisions of this joint venture agreement the interest acquired by Cambro from Seagull International and Isca was to be carried through, at no additional cost to Cambro, to the completion of the first exploration well. The operator of the joint venture was designated as Anadarko.

- (2) Prior to authorizing the investment in the right to the 8% interest, the company obtained an independent report from Geoquest International, Inc., a firm of oil and gas consulting engineers of Houston, Texas, U.S.A.

Manitou-Barvue Mines Limited

Notes to Consolidated Financial Statements (Continued)

The estimated value of this investment set out in the report was predicated on a well being drilled (note 3(i)(4)).

- (3) Seagull International assigned the interest of Seagull International and Isca to Cambro for a payment of U.S. \$115,000 at the time of the assignment and the balance of the price in the amount of U.S. \$1,035,000 was paid in 1978.
- (4) Under the terms of the joint venture agreement dated July 23, 1976, as amended, Anadarko, Normafrique, Seagull International (i.e. Cambro, by virtue of the assignment from Seagull International) and Norminol were entitled, but not obligated, to drill a test well by April 23, 1978. On or about April 18, 1978 Anadarko, which had the sole right under the joint venture agreement to determine whether or not to drill, elected not to drill the test well and consequently in accordance with its terms the joint venture agreement terminated and all rights reverted back to Normafrique, subject to the Convention dated January 12, 1976.
- (5) As a result Cambro reduced the value of this investment to \$1 by providing for a loss of U.S. \$1,149,999 (Cdn. \$1,260,399) in its financial statements for the year ended December 31, 1977.

(ii) Royalty rights

- (1) By means of various assignments Cambro acquired certain royalty rights for an amount totalling U.S. \$500,000 (Cdn. \$548,000) consisting of an interest totalling 1% of any and all amounts received by Denison Mines Limited from production of hydrocarbons attributed to a 49.5% interest that Denison owned as of August 27, 1976 in the 'Cameroon Area' (such Area being referred to in an agreement dated June 30, 1976, as amended, between Denison and

Oceanic Exploration Company), insofar only as the areas described in the following Permis de Recherches are concerned:

- (i) Permis de Recherches designated by Decree No. 73/482 dated August 25, 1973 made by and between the Government of the United Republic of Cameroon and Oceanic Exploration Co. of West Africa covering the area known as Oceanic I Offshore Cameroon, and
 - (ii) Permis de Recherches designated by Decree No. 73/637 dated October 12, 1973 made by and between the Government of the United Republic of Cameroon and Oceanic Exploration Co. of West Africa covering the area known as Oceanic II Offshore Cameroon.
- (2) Under the terms of an agreement dated July 13, 1977 between Denison, Oceanic Exploration Company, Elf Serepca S.A. and Wintershall Aktiengesellschaft, Denison agreed to assign out of its 49.5% interest covering Oceanic I a 29.7% interest to Elf and Wintershall. By letter agreements dated February 20, 1978 Denison agreed to pay to the company or its assignee from money that it receives from its remaining 19.8% interest in Oceanic I a royalty interest equal to 1% of the original 49.5% (.495%).
 - (3) A well was drilled on Oceanic I but abandoned on February 27, 1978 and the area of Oceanic I has been reduced by relinquishment so that the present area is 50% of the original area. This area can be held until August, 1981 provided further exploration monies are spent. The acreage must then be reduced in 1981 by a further 25% and in order that it may be held for a further four years additional exploration monies must be spent.

Manitou-Barvue Mines Limited

- (4) The Permis de Recherches applying to Oceanic II expired in February, 1978 and consequently the acquired royalty rights attaching to this area are no longer valid.

(iii) Other

At the time the above exploration and royalty rights were acquired none of the vendors were related to the company, Cambro, their officers or directors. Subsequently Seagull Petroleum Limited, a company incorporated under the laws of the Bahamas (and the parent company of Seagull International), through a purchase of assets from Mr. W. Bruce Hansen, an officer of the company since October, 1977 and a director since May, 1978, placed itself in a position from which it can effectively control the company. The events leading to this position were as follows:

- (1) Mr. Hansen, acting on behalf of himself and others, loaned during September, 1977, \$1,000,000 to Westmont Capital Resources Limited, a company incorporated under the laws of British Columbia, to assist Westmont in its acquisition during October, 1977 of 748,902 shares of the company. (Westmont had purchased previously 130,000 shares and held a total of 878,902 shares, which constituted effective control of the company). The loan was evidenced by a demand note bearing interest at 11 % per annum and the 878,902 shares were pledged as collateral security.
- (2) On June 12, 1978, Mr. Hansen sold the interest in the Westmont demand note and the right, title and interest in the related pledge agreement with Westmont to Seagull Petroleum and its associate in this matter, Isca (note 3(b)(i)).
- (3) On July 28, 1978 Seagull Petroleum demanded repayment together with accrued interest of the \$1,000,000 note. The loan was not repaid within 30 days and therefore, as provided by the above mentioned pledge agreement a 'period of continuing

default' commenced on August 30, 1978. The pledge agreement provides, among other things, that during the period of continuing default the holder of the 878,902 shares of the company may, without notice to Westmont:

- (i) sell, transfer and deliver the shares or any part thereof,
- (ii) enforce all the rights and remedies of a holder of the shares as if the note holder owned the shares free from any control by Westmont, and
- (iii) register the shares in the name of the note holder or his nominees thereby giving such note holder full voting rights.

In addition, at anytime during the period of continuing default, notice may be given to Westmont that the holder of the note and the shares of the company may decide to retain the shares in full satisfaction of all of the indebtedness of Westmont in respect to the note.

Continued

Manitou-Barvue Mines Limited

Notes to Consolidated Financial Statements (Continued)

4. Mining Properties and Rights

Mining properties and rights consist of the following:

	1977	1976
(a) a fixed 17½ % non-assessable interest in 55 claims in Langmuir Township, Ontario, at net cost	\$ 18,464	
(b) 24 mining claims in Bourlamaque Township, Quebec, at costs to date	213,804	
(c) option to explore and develop 20 claims in Duplessis Township, Quebec, at cost. The option expires on May 1, 1979 by which time an election may be made to bring the claims into production and to pay the optioner a royalty of 15% of mining profits	5,355	
(d) a 50% undivided interest in 50 mining claims in Desherbiers Township, Quebec, at cost	8,020	
(e) a 50% undivided interest in 19 mining claims in Bourlamaque Township, Quebec retained pursuant to the sale of the mining operation, at nominal value (see note 2) (see below)	1	\$1
	<u>\$245,644</u>	<u>\$1</u>

On November 14, 1977, the company entered into an agreement with the purchaser of its mining operation pursuant to which they are to carry out a joint exploration programme at a projected cost of \$50,000.

5. Recovery of Costs

Recovery of the costs of mining properties and rights, interest in petroleum and natural gas properties and rights, and related expenditures deferred is dependent upon the development of reserves of sufficient economic value to enable profitable operations to be attained.

6. Capital Stock

During 1977, options under the company's incentive stock option plan were exercised at a price of \$1.00 per share on 15,000 shares.

7. Shareholders' Equity

The accounts reflect a deduction from shareholders' equity in respect of 554,427 shares of the company held by Quebec Manitou Mines Limited, at the value assigned thereto as follows:

Cost of the shares to Quebec Manitou	\$188,441
Excess of the cost to the company of its shares of Quebec Manitou over their book value at date of acquisition (note 1(a))	242,286
	<u>430,727</u>
Company's share of gain on sale of 400,000 shares of the company realized by Quebec Manitou prior to October, 1977	112,582
	<u>\$318,145</u>

8. Income Taxes

At December 31, 1977 the company has substantial amounts available for deduction from future taxable income.

9. Other Statutory Information

Direct remuneration of directors and senior officers (as defined by The Business Corporations Act) amounted to \$266,901 in 1977 (\$171,548 in 1976) including \$125,000 in 1977 paid as retiring allowance to former officer.

10. Subsequent Event

The company has acquired interests in four petroleum and natural gas prospects in Alberta and British Columbia for approximately \$250,000 cash.

Manitou-Barvue Mines Limited

Consolidated Statement of Income (without Audit)

For the six months ended June 30, 1978

	Six months ended June 30	
	1978	1977
Income:		
Investment	\$ 47,688	\$258,524
Rental and miscellaneous	26,710	27,638
	<u>74,398</u>	<u>286,162</u>
Expenses:		
Outside exploration	27,774	150
Professional and consulting fees	20,859	42,876
Administrative and general	160,162	97,614
Interest charges	19,211	-0-
Depreciation	21,181	20,850
	<u>249,187</u>	<u>161,490</u>
	(174,789)	124,672
Interest of minority shareholders in subsidiary company's loss	5,640	-0-
CONSOLIDATED INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	<u>(169,149)</u>	<u>124,672</u>
Gain on cessation of mining operation	-0-	34,656
NET INCOME (LOSS)	<u><u>\$(169,149)</u></u>	<u><u>\$159,328</u></u>
Earnings (loss) per share		
Income (loss) before extraordinary item	(5.2¢)	4.3¢
Net income (loss)	(5.2¢)	5.5¢

Note A:

Consolidated operations for the six months ended June 30, 1978 include the results of operations of Quebec Manitou Mine Limited and Cambro Petroleum and Minerals Limited.

Note B:

The earnings (loss) per share calculation is based on the shares outstanding, net of 554,427 shares (1977—954,427) held by one of the subsidiaries, Quebec Manitou Mines Limited.

Manitou-Barvue Mines Limited

Consolidated Statement of Income (without Audit)

For the nine months ended September 30, 1978

	1978	1977
Income:		
Investment	\$ 62,506	\$335,822
Rental and miscellaneous	97,588	37,750
	<u>160,094</u>	<u>373,572</u>
Expenses:		
Outside exploration	27,774	150
Professional and consulting fees	58,441	62,620
Administrative and general	259,516	136,849
Interest charges	34,980	-0-
Depreciation	31,771	31,300
	<u>412,482</u>	<u>230,919</u>
	(252,388)	142,653
Interest of minority shareholders in subsidiary company's loss	12,231	-0-
CONSOLIDATED INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	<u>(240,157)</u>	<u>142,653</u>
Gain on cessation of mining operation	-0-	49,952
NET INCOME (LOSS)	<u><u>\$(240,157)</u></u>	<u><u>\$192,605</u></u>
Earnings (loss) per share		
Income (loss) before extraordinary item	(7.3¢)	5.0¢
Net income (loss)	(7.3¢)	6.7¢

Note A:

Consolidated operations for the nine months ended September 30, 1978 include the results of operations of Quebec Manitou Mines Limited and Cambro Petroleum and Minerals Limited.

Note B:

The earnings (loss) per share calculation is based on the shares outstanding, net of 554,427 shares (1977—954,427) held by one of the subsidiaries, Quebec Manitou Mines Limited.

